

Message Text

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ACTION IO-14

INFO OCT-01 ADP-00 AF-10 ARA-16 EA-11 EUR-25 NEA-10 RSC-01

EB-11 ABF-01 OMB-01 TRSE-00 CEA-02 CIAE-00 DODE-00

PM-07 H-02 INR-10 L-03 NSAE-00 NSC-10 PA-03 PRS-01

SS-15 USIA-12 RSR-01 /167 W

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FM USMISSION USUN NY

TO SECSTATE WASHDC 8719

INFO USMISSION GENEVA

C O N F I D E N T I A L USUN 2531

GENEVA FOR AMBASSADOR SCALI

E.O. 11652: GDS

TAGS: AORG, UN

SUBJ: CONVERSATION WITH SYG RE HIS REMARKS ON US DOLLAR

REF: STATE 132877

1. DURING CALL ON SYG JULY 10 I RAISED ABOVE SUBJECT MATTER. I TOLD WALDHEIM HIS REMARKS IN GENEVA ABOUT THE DOLLAR AND POSSIBLE UN SWITCH ON CURRENCY HAD CAUSED DISTRESS AND CONCERN IN WASHINGTON, SINCE INTERNATIONAL EXCHANGE IS SUCH A COMPLEX MATTER AND PARTICULARLY DELICATE JUST NOW. WHILE WE RECOGNIZE PROBLEMS CAUSED FOR UN BY UNSTABLE CONDITIONS IN EXCHANGE RATES, WE HAD BEEN SURPRISED AT HIS SPEAKING OUT PUBLICLY ON SUCH A SENSITIVE SUBJECT WITHOUT TALKING IT OVER BEFOREHAND WITH US. THE IDEA OF CURRENCY CHANGES IN THE UN SYSTEM RAISES ALL MANNER OF PROBLEMS, BOTH TECHNICAL AND POLITICAL, AND WE WOULD ANTICIPATE THE OPPORTUNITY OF PRIOR CONSULTATIONS WITH HIM AND HIS STAFF BEFORE THEY MADE PUBLIC ANY RECOMMENDATIONS. WE WOULD LOOK FORWARD TO TALKING WITH HIM BEFORE HE AGAIN ADDRESSED MATTER IN PUBLIC

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STATEMENTS.

2. WALDHEIM DID NOT BRIDLE AT THESE REMARKS AS HE SOMETIMES DOES WHEN TAKEN TO TASK ON HIS ORAL INDISCRETIONS. ON THE CONTRARY, HE SEEMED GENUINELY SURPRISED THAT WASHINGTON WOULD HAVE TAKEN NOTE OF HIS REMARKS. HE SAID HE DID NOT KNOW HOW HE COULD BE EXPECTED TO REMAIN SILENT OF A PROBLEM WHICH WAS HAVING SUCH EFFECTS ON UN OPERATIONS AND ON BOTH UN SALARIES AND PENSIONS. HE RECALLED IN THAT CONNECTION THE "LITTLE DEMONSTRATION" IN ECOSOC WHEN HE SPOKE THERE THE OTHER DAY. IT WAS ONLY NATURAL THAT THE SUBJECT WOULD COME UP IN HIS PRESS CONFERENCE IN VIEW OF ALL THE DISCUSSION GOING ON, HE SAID; AND IT WAS CLEAR FROM HIS REMARKS THAT HE HAD PREPARED HIMSELF FOR SUCH A QUESTION. HE SAID HE HAD SPOKEN TO A PROBLEM THAT EVERYONE WAS TALKING ABOUT AND EXPECTING HIM TO COMMENT ON. EVERYONE KNEW THE DOLLAR WAS IN SERIOUS TROUBLE; IN HIS OWN CASE HE HAD ARRIVED IN GENEVA ON A SATURDAY WITHOUT LOCAL CURRENCY AND THE HOTEL HAD ONLY BEEN WILLING TO ACCEPT \$25 FOR EXCHANGE INTO SWISS FRANCS. HE HAD HAD CONSIDERABLE DIFFICULTY IN ROUNDING UP ENOUGH SWISS FRANCS TO TAKE SOME ALREADY INVITED GUESTS TO DINNER.

3. I SUGGESTED THAT NO ONE WAS DENYING THE DIFFICULTIES AND UNCERTAINTY INVOLVING EXCHANGE RATES THESE DAYS. HE SHOULD HAVE IN MIND, HOWEVER, THAT NAY COMMENTS BY AN INDIVIDUAL IN HIS IMPORTANT POSITION WOULD BE TAKEN UP, QUITE POSSIBLY OUT OF CONTEXT, AND COULD HAVE A FURTHER UNSETTLING EFFECT ON AN ALREADY SENSITIVE SITUATION. COULD HE NOT MERELY HAVE ACKNOWLEDGED THE PROBLEM AND INDICATED THAT IT WAS BEING STUDIED SERIOUSLY BY APPROPRIATE OFFICIALS.

4. THE MATTER IS OF COURSE UNDER SERIOUS STUDY BY THE UN, AND WALDHEIM WENT ON TO EXPLAIN CURRENT CONSIDERATIONS. HE SAID THE ACC HAD CONSIDERED THE POSSIBILITY OF DIVIDING THE BUDGET INTO SEVERAL CURRENCIES, INCLUDING SWISS FRANCS, GERMAN MARKS, FRENCH FRANCS, DUTCH GULDERS, ETC. SUCH A COURSE WOULD RAISE IMMENSE COMPLICATIONS AND THERE WAS GENERAL AGREEMENT NOW ON CONFINING ANY CHANGES, IF SUCH HAD TO BE MADE, TO USE OF THE SWISS FRANC. A FORMULA OF 60 PERCENT DOLLARS, 40 PERCENT SWISS FRANCS HAD BEEN DISCUSSED, WITH

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THE IDEA OF USING SWISS FRANCS FOR UN EXPENDITURES IN VARIOUS EUROPEAN COUNTRIES. FORTUNATELY, THE SWISS FRANC WAS BOTH STRONG AND "NEUTRAL", SAID THE SYG.

5. HOWEVER, WALDHEIM STRESSED THAT ANY DECISION WOULD HAVE TO BE MADE BY THE GA THIS FALL. HE INSISTED HE HAD NOT THE SLIGHTEST DESIRE TO MOVE AWAY FROM THE DOLLAR BECAUSE HE WAS FULLY AWARE OF ALL THE COMPLICATIONS IT WOULD ENTAIL.

HE WAS EMPHATIC IN SAYING HIS PROFOUND HOPE IS THAT THE DOLLAR WILL RECOVER MARKEDLY BETWEEN NOW AND AUTUMN AND THUS MAKE IT UNNECESSARY TO CONSIDER SWITCHING EVEN IN PART TO ANY OTHER CURRENCY.

6. ON CLOSING THE SUBJECT, I STRESSED OUR INTEREST IN KEEPING ON CLOSE TOUCH WITH ANY STUDIES BEING MADE BY HIS STAFF AND REITERATED THAT WE WOULD DESIRE ADVANCE CONSULTATION WITH THE SYG BEFORE HE MADE ADDITIONAL PUBLIC STATEMENTS ON THE MATTER. HE HAD IN FACT SPOKEN ABOUT IT AGAINST YESTERDAY WITH UN CORRESPONDENTS HERE, BUT THIS MORNING'S LOCAL PRESS EMPHASIZES OTHER ASPECTS OF HIS REMARKS. HOPEFULLY AFTER OUR CONVERSATION HE WILL BE MORE CAUTIOUS IN ANY FUTURE PUBLIC COMMENTS HE MAY MAKE.

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